

103D CONGRESS  
1ST SESSION

# H. R. 1108

To amend the Internal Revenue Code of 1986 to provide small businesses a credit for the cost of complying with Federal regulations.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1993

Mr. LIGHTFOOT (for himself, Mr. BAKER of Louisiana, Mr. BURTON of Indiana, Mr. CLINGER, Mr. DELAY, Mr. DORNAN, Mr. DREIER, Mr. EMERSON, Mr. FIELDS of Texas, Mr. GALLEGLY, Mr. GALLO, Mr. GILMAN, Mr. GINGRICH, Mr. GOODLING, Mr. HERGER, Mr. HOKE, Mr. HUNTER, Mr. INHOFE, Mr. KOLBE, Mr. LEWIS of Florida, Mrs. LLOYD, Mr. MCHUGH, Mr. MACHTLEY, Ms. NORTON, Mr. OXLEY, Mr. PARKER, Mr. ROBERTS, Mr. SAXTON, Mr. SENSENBRENNER, Mr. SKEEN, Mr. SOLOMON, Mr. SUNDQUIST, Mr. THOMAS of Wyoming, Mr. UPTON, and Mr. WYNN) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide small businesses a credit for the cost of complying with Federal regulations.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Regu-  
5 latory Cost Relief Act of 1993”.

1 **SEC. 2. TAX CREDIT FOR CERTAIN REGULATORY COSTS.**

2 (a) GENERAL RULE.—Section 44 of the Internal  
3 Revenue Code of 1986 is amended to read as follows:

4 **“SEC. 44. SMALL BUSINESS REGULATORY COSTS.**

5 “(a) GENERAL RULE.—For purposes of section 38,  
6 in the case of a qualified small business, the regulatory  
7 cost credit determined under this section for any taxable  
8 year is 50 percent of so much of the qualified regulatory  
9 costs for the taxable year as exceed \$250.

10 “(b) QUALIFIED SMALL BUSINESS.—For purposes of  
11 this section, the term ‘qualified small business’ means any  
12 person if—

13 “(1)(A) such person is a small business concern  
14 as defined in section 3(a) of the Small Business Act  
15 and the regulations thereunder, or

16 “(B) a certification that such person is a small  
17 business concern under section 8(b)(6) of the Small  
18 Business Act (15 U.S.C. 637(b)(6)) is in effect as  
19 of the close of the taxable year, and

20 “(2) such person elects the application of this  
21 section for the taxable year.

22 “(c) QUALIFIED REGULATORY COSTS.—For pur-  
23 poses of this section—

24 “(1) IN GENERAL.—The term ‘qualified regu-  
25 latory costs’ means the sum of the following  
26 amounts paid or incurred during the taxable year:

1           “(A) The federally required nonproductive  
2 expenditures.

3           “(B) The product approval costs.

4           “(2) FEDERALLY REQUIRED NONPRODUCTIVE  
5 EXPENDITURES.—

6           “(A) IN GENERAL.—The term ‘federally  
7 required nonproductive expenditure’ means any  
8 amount which is paid or incurred by the tax-  
9 payer in connection with any plant or other  
10 property operated by the taxpayer and which—

11           “(i) is certified by the Federal certify-  
12 ing authority to the Secretary as being  
13 necessary or appropriate for the operation  
14 of such plant or property to be in compli-  
15 ance with—

16           “(I) the requirements of any reg-  
17 ulation issued pursuant to any Fed-  
18 eral law, or

19           “(II) the requirements of any  
20 regulation issued pursuant to a State  
21 law which was adopted to meet a re-  
22 quirement of such Federal law;

23           “(ii) does not significantly—

24           “(I) increase the output or capac-  
25 ity, extend the useful life, or reduce

1 the total operating costs of any prop-  
2 erty, or

3 “(II) alter the nature of any  
4 manufacturing or production process,  
5 and

6 “(iii) cannot reasonably be expected to  
7 be recovered over its useful life by reason  
8 of profits derived through the recovery of  
9 wastes or otherwise.

10 “(B) EXPENSES WITH RESPECT TO NEW  
11 PROPERTY NOT ELIGIBLE.—The term ‘federally  
12 required nonproductive expenditure’ does not  
13 include any amount paid or incurred in connec-  
14 tion with any property first placed in service  
15 after the later of—

16 “(i) the date on which the regulation  
17 became final, or

18 “(ii) the date of the enactment of the  
19 Small Business Regulatory Cost Relief Act  
20 of 1993.

21 “(C) FEDERAL CERTIFYING AUTHORITY.—  
22 The term ‘Federal certifying authority’ means  
23 the head of the Federal agency which has the  
24 primary jurisdiction over the Federal law re-  
25 ferred to in subparagraph (A)(i)(I).

1           “(3) PRODUCT APPROVAL COSTS.—The term  
2           ‘product approval costs’ means amounts paid or in-  
3           curred by the taxpayer in connection with determin-  
4           ing the safety or effectiveness of any product or  
5           service in order to comply with the requirements of  
6           any Federal law.

7           “(d) SPECIAL RULES.—

8           “(1) TREATMENT OF EXPENDITURES TO PRO-  
9           VIDE ACCESS TO DISABLED INDIVIDUALS.—For pur-  
10          poses of this section, the term ‘qualified regulatory  
11          costs’ includes any eligible access expenditures as de-  
12          fined in this section as in effect on the day before  
13          the date of the enactment of the Small Business  
14          Regulatory Cost Relief Act of 1993.

15          “(2) DENIAL OF DOUBLE BENEFIT.—If a credit  
16          is determined under this section with respect to any  
17          qualified regulatory cost—

18                 “(A) no deduction or credit shall be al-  
19                 lowed under any other provision of this chapter  
20                 for the credit portion of such cost, and

21                 “(B) no increase in the adjusted basis of  
22                 any property shall result from the credit portion  
23                 of such cost.

24          For purposes of the preceding sentence, the term  
25          ‘credit portion’ means, with respect to any qualified

1 regulatory cost for any taxable year, the amount  
2 which bears the same ratio to the credit determined  
3 under this section for such taxable year as the  
4 amount of such cost bears to the entire amount of  
5 qualified regulatory costs for such taxable year.”

6 (b) CREDIT PART OF GENERAL BUSINESS CREDIT.—  
7 Paragraph (7) of section 38(b) of such Code is amended  
8 to read as follows:

9 “(7) in the case of a qualified small business  
10 (as defined in section 44(b)), the regulatory cost  
11 credit determined under section 44(a), plus.”

12 (c) CONFORMING AMENDMENT.—The paragraph of  
13 section 39(d) of such Code which relates to the credit  
14 under section 44 is amended by adding at the end thereof  
15 the following new sentence: “No portion of the unused  
16 business credit for any taxable year which is attributable  
17 to the additional credit determined under section 44 by  
18 reason of the Small Business Regulatory Cost Relief Act  
19 of 1993 may be carried back to taxable year ending before  
20 the date of the enactment of such Act.”

21 (d) CLERICAL AMENDMENT.—The table of sections  
22 for subpart D of part IV of subchapter A of chapter 1  
23 of such Code is amended by striking the item relating to  
24 section 44 and inserting the following:

“Sec. 44. Small business regulatory costs.”

1       (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to amounts paid or incurred after  
3 the date of the enactment of this Act in taxable years end-  
4 ing after such date of enactment.

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